

**MARQUETTE AREA PUBLIC SCHOOLS  
MARQUETTE, MICHIGAN  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007**

## TABLE OF CONTENTS

Independent Auditor's Report .....	4
Management's Discussion and Analysis .....	6

### Basic Financial Statements

District-wide Financial Statements:	
Statement of Net Assets .....	12
Statement of Activities .....	13

### Fund Financial Statements

<b>Governmental Funds:</b>	
Balance Sheet .....	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets .....	15
Statement of Revenues, Expenditures and Changes in Fund Balance .....	16
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities .....	17
<b>Proprietary Funds:</b>	
Statement of Net Assets .....	18
Statement of Revenues, Expenses and Changes in Net Assets .....	19
Statement of Cash Flows .....	20
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Assets .....	21
Statement of Changes in Fiduciary Net Assets .....	22
Notes to Financial Statements .....	23

### Required Supplemental Information

General Fund – Budgetary Comparison Schedule .....	37
Capital Projects Fund – Budgetary Comparison Schedule .....	38

### Other Supplemental Information

<b>General Fund:</b>	
Balance Sheet .....	40
<b>Capital Projects Fund:</b>	
Balance Sheet .....	41

**Nonmajor Governmental Funds:**

Combining Balance Sheet.....	42
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance.....	43

**Special Revenue Funds:**

School Lunch Fund – Schedule of Revenues, Expenditures and Changes in Fund Balance.....	44
Athletic Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	45

**Debt Service Funds:**

Debt Service Fund – Balance Sheet.....	46
Debt Service Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.....	47

**Student Activity Agency Fund:**

Statement of Changes in Assets and Liabilities.....	48
Statement of Receipts, Disbursements and Transfers.....	49

**COMPLIANCE SECTION**

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	53
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	55
Schedule of Expenditures of Federal Awards.....	57
Notes to Schedule of Expenditures of Federal Awards.....	61
Schedule of Findings and Questioned Costs.....	63
Summary Schedule of Prior Audit Findings.....	64



**ANDERSON, TACKMAN & COMPANY, P.L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. ELEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## INDEPENDENT AUDITORS' REPORT

Board of Education  
Marquette Area Public Schools  
Marquette, MI 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette Area Public Schools, as of and for the year ended June 30, 2007, which collectively comprise the Marquette Area Public Schools basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marquette Area Public Schools management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Marquette Area Public Schools as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2007 on our consideration of the Marquette Area Public Schools' internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Education  
Marquette Area Public Schools

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and 37 thru 38 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marquette Area Public Schools' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Marquette Area Public Schools. The combining and individual fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 12, 2007

## **Marquette Area Public Schools Management's Discussion and Analysis (Unaudited)**

Our discussion and analysis of Marquette Area Public Schools financial performance provides an overview of the School District's financial activities for the year ended June 30, 2007. Please read it in conjunction with the financial statements, which begin on page 12.

### **FINANCIAL HIGHLIGHTS**

- Net assets for Marquette Area Public Schools as a whole were reported at \$11,086,045, comprised of 100% governmental activities.
- During the year, Marquette Area Public Schools expenses were \$29,721,910, while revenues from all sources totaled \$31,993,772, resulting in an increase in net assets of \$2,271,862.
- There were no significant changes in programs for the 2006-2007 fiscal year. With declining enrollment and uncertain State funding, the School District remained essentially status quo.
- The general fund reported an increase of \$1,501,199 before other financing sources (uses). This is \$592,526 higher than the forecasted increase of \$908,673. This was a result of revenues being \$117,220 higher and expenses being \$475,306 lower than forecasted, both of which are immaterial when compared with budgeted revenues of \$29,389,589 and budgeted expenditures/transfers of \$32,238,929. There were no significant variances between the final budget and actual amounts.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Marquette Area Public Schools financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant funds – the General Fund and Debt Service Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

#### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Marquette Area Public Schools as a whole begins on page 8. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private - sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether

## **Management's Discussion and Analysis (Unaudited) (Continued)**

its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### **Reporting the School District's Most Significant Funds – *Fund Financial Statements***

Our analysis of the School District's major funds begins on page 10. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds - *governmental* and *proprietary* – use different accounting methods.

- *Governmental funds* – Most of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.
- *Proprietary funds* – When the School District charges customers for the services it provides – whether to outside customers or to other units of the School District – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. We use an internal service fund (the only component of the School District's proprietary funds) to report activities that provide services for the School District's other programs and activities – such as financing of early retirement incentive and unused sick leave reimbursement plan payments.

### **The School District as Trustee – Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

## Management's Discussion and Analysis (Unaudited) (Continued)

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2007 and 2006:

**Table 1**  
**Net Assets**

		Governmental Activities	
		2007	2006
Current and other assets		\$14,699,162	\$13,522,889
Other noncurrent assets		79,717	86,360
Capital assets, net		10,026,622	10,008,644
Total Assets		24,805,501	23,617,893
Current liabilities		4,406,219	4,541,372
Long-term liabilities		9,313,237	10,262,418
Total Liabilities		13,719,456	14,803,790
Net Assets:			
Invested in capital assets, net of related debt		1,381,990	517,569
Restricted		336,026	246,829
Unrestricted		9,368,029	8,049,785
Total Net Assets		\$11,086,045	\$8,814,183

The School District's net assets were \$11,086,045 at June 30, 2007. Capital assets, net of related debt totaling \$1,381,990 compares the original cost, less depreciation of the School District's capital assets to long-term debt, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$9,368,029 was unrestricted.

The \$9,368,029 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal year 2007.

**Table 2**  
**Change in Net Assets**

		Governmental Activities	
		2007	2006
<b>Revenues</b>			
Program revenues:			
Charges for services		\$1,050,175	\$1,052,204
Operating grants and contributions		4,955,032	4,762,005
General revenues:			
Property taxes		8,498,499	8,095,493
State sources not restricted to specific program		16,705,743	16,447,765
Investment earnings		636,305	470,706
Miscellaneous		148,018	54,927
Total Revenues		31,993,772	30,883,100



## Management's Discussion and Analysis (Continued)

	Governmental Activities	
	2007	2006
Program Expenses:		
Instruction	\$16,857,477	\$17,093,340
Supporting services	10,120,003	10,293,112
Community services	185,899	149,139
Food service activities	817,344	817,424
Athletic activities	526,359	540,832
Interest on retirement of debt	345,017	374,756
Other	139,071	15,522
Depreciation - unallocated	730,740	761,514
Total Expenses	29,721,910	30,045,639
Increase (decrease) in net assets	2,271,862	837,461
Net assets, beginning	8,814,183	7,976,722
Net Assets, Ending	<u>\$11,086,045</u>	<u>\$8,814,183</u>

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$29,721,910. Certain activities were partially funded from those who benefited from the programs \$1,050,175 or by other governments and organizations that subsidized certain programs with grants and categoricals \$4,955,032. We paid for the remaining "public benefit" portion of our governmental activities with \$8,498,499 in taxes, \$16,705,743 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets for the year of \$2,271,862.

Key reasons for the change in net assets were as follows:

- Net increase in governmental fund balances of \$1,310,057.
- Depreciation charged to expense of \$730,740.
- Lease Expense \$68,434.
- Purchase of capital assets in the amount of \$748,718.
- Proceeds from Debt Issue \$61,991.
- Net increase due to pay down of principal through the use of debt fund balance of \$840,000.
- Accrued interest on long-term debt included in expense \$3,150.
- Other miscellaneous transactions of \$94,234.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.

	Table 3 Governmental Activities			
	Total Cost of Services		Net Cost of Services	
	2007	2006	2007	2006
Instruction	\$16,857,477	\$17,093,340	\$12,042,993	\$12,474,610
Supporting services	10,120,003	10,293,112	10,115,023	10,274,686
Community services	185,899	149,139	117,360	87,797
Food service activities	817,344	817,424	(50,760)	(20,945)
Athletic activities	526,359	540,832	277,259	263,490

## Management's Discussion and Analysis (Unaudited) (Continued)

Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$11,274,389, an increase of \$1,310,057 from the beginning of the year. This included a \$2,255,254 decrease in the General Fund fund balance, and an increase of \$3,565,311 in other funds fund balance.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

Changes to the General Fund original budget were as follows:

- Budgeted revenues were increased by \$1,505,722. The largest increases include additional interest income, additional foundation, allowance due to student enrollment, increased pass through funding from MARESA, and prior year adjustments from the State of Michigan.
- Budget expenditures were decreased by \$295,067 to reflect contract settlements and changes in healthcare throughout the year.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At June 30, 2007 and 2006, the School District had \$10,026,622 and \$10,008,644, respectively invested in a variety of capital assets including land, buildings, and machinery and equipment. (See table 4 below):

**Table 4**  
**Capital Assets at Year-End**  
**(net of depreciation)**

	Governmental Activities	
	2007	2006
Land	\$822,392	\$822,392
Site improvements	313,423	367,169
Buildings	7,832,347	7,742,710
Equipment	622,941	657,994
Vehicles and buses	435,519	418,379
Totals	<u>\$10,026,622</u>	<u>\$10,008,644</u>

This year's additions of \$779,835 included vehicles, cafeteria equipment, technology, building renovations, and buses). Additional debt was issued for some of these additions.

## Management's Discussion and Analysis (Unaudited) (Continued)

We anticipate capital additions for the 2007-2008 fiscal year will be comparable to the 2006-2007 fiscal year. We present more detailed information about our capital assets in the notes to the financial statements.

### **Debt**

At June 30, 2007 and 2006, the School District had \$8,405,000 and \$9,838,538, respectfully, in bonds outstanding as depicted in Table 5 below.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities	
	2007	2006
Installment loan	\$239,633	\$246,075
General obligation bonds	8,405,000	9,245,000
School improvement bonds	347,463	347,463
Totals	\$8,992,096	\$9,838,538

We present more detailed information about our long-term debt in the notes to the financial statements.

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2008 budget. One of the most important factors affecting the budget is our student count. The State foundation revenue is determined by multiplying the blended student count by the foundation allowance per pupil. The 2008 fiscal year budget was adopted in June 2007, based on an estimate of students that will be enrolled in September 2007. Approximately 85 percent to 90 percent of total General Fund revenues is from the foundation allowance. Under State law, the School District cannot access additional property tax revenue for general obligations. As a result, the district funding is heavily dependent on the State's ability to fund local school operations. Based on early enrollment data at the start of the 2007-2008 school year, we anticipate that the fall student count will be down nearly 30 students from the estimates used in creating the 2008 fiscal year budget. Once the final student count and related per pupil funding is validated, State law requires the School District to amend the budget, if actual district resources are different from original appropriations.

During the 2006-2007 fiscal year, the School District expects to settle a labor contract with the Marquette Area Education Association (MAEA). The cumulative effect of a one-year settlement is estimated by the School District to be less than \$1,000,000.

The State budget continues to be an area of concern for local school districts. State revenues are falling short of projections, which could mean reduced funding at the local level.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Marquette Area Public Schools Central Administration, 1201 West Fair Ave. Marquette, Michigan, 49855.

**Marquette Area Public Schools  
Statement of Net Assets  
June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 5,181,152
Investments	5,757,529
Receivables:	
Accounts receivable	54,775
Delinquent property taxes	22,323
Due from others	3,577,265
Inventories	5,963
Prepaid expenditures	100,155
	<hr/>
<b>TOTAL CURRENT ASSETS</b>	14,699,162
	<hr/>
<b>Noncurrent assets:</b>	
Unamortized bond issue costs	79,717
Capital assets	26,651,546
Less accumulated depreciation	(16,624,924)
	<hr/>
<b>TOTAL NONCURRENT ASSETS</b>	10,106,339
	<hr/>
<b>TOTAL ASSETS</b>	24,805,501
	<hr/>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	307,322
Accrued payroll and other liabilities	2,594,759
Due to others	146,907
Deferred revenue	55,203
Current portion of employee benefit obligations	372,297
Current portion of long term debt obligations	928,547
Other current liabilities	1,184
	<hr/>
<b>TOTAL CURRENT LIABILITIES</b>	4,406,219
	<hr/>
<b>Noncurrent liabilities:</b>	
Noncurrent portion of employee benefit obligations	1,312,455
Noncurrent portion of long term debt obligations	8,063,548
Less deferred discount on refunding bonds	(62,766)
	<hr/>
<b>TOTAL NONCURRENT LIABILITIES</b>	9,313,237
	<hr/>
<b>TOTAL LIABILITIES</b>	13,719,456
	<hr/>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	1,381,990
Restricted:	
Debt Service	336,026
Unrestricted	9,368,029
	<hr/>
<b>TOTAL NET ASSETS</b>	\$ 11,086,045
	<hr/>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Statement of Activities  
For the Year Ended June 30, 2007**

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 16,857,477	\$ 238,663	\$ 4,575,821	\$ (12,042,993)
Supporting services	10,120,003	-	4,980	(10,115,023)
Community services	185,899	68,539	-	(117,360)
Food service activities	817,344	493,873	374,231	50,760
Athletic activities	526,359	249,100	-	(277,259)
Other	139,071	-	-	(139,071)
Interest on retirement of debt	345,017	-	-	(345,017)
Depreciation- unallocated	730,740	-	-	(730,740)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>29,721,910</b>	<b>1,050,175</b>	<b>4,955,032</b>	<b>(23,716,703)</b>
<b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				7,272,124
Property taxes, levied for debt services				1,226,375
State aid not restricted to specific purposes				
General				16,705,743
Interest and investment earnings				636,305
Miscellaneous				148,018
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>25,988,565</b>
				<b>CHANGES IN NET ASSETS</b>
				2,271,862
Net Assets, July 1				8,814,183
				<b>NET ASSETS, JUNE 30</b>
				<b>\$ 11,086,045</b>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Governmental Funds  
Balance Sheet  
June 30, 2007**

	General Fund	Capital Projects Fund	Other Nonmajor Governmental Funds	Total
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 4,598,630	\$ -	\$ 582,522	\$ 5,181,152
Investments	1,092,033	4,318,085	-	5,410,118
Receivables:				
Accounts receivable	46,743	-	7,987	54,730
Delinquent property taxes	22,323	-	-	22,323
Due from others	3,569,145	-	8,120	3,577,265
Due from other funds	4,078	-	15	4,093
Prepaid Expenses	100,155	-	-	100,155
Inventories	-	-	5,963	5,963
<b>TOTAL ASSETS</b>	<b>\$ 9,433,107</b>	<b>\$ 4,318,085</b>	<b>\$ 604,607</b>	<b>\$ 14,355,799</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 301,286	\$ -	\$ 6,036	\$ 307,322
Accrued liabilities	2,528,683	-	13,177	2,541,860
Due to others	113,746	-	33,161	146,907
Due to other funds	24,886	-	4,048	28,934
Deferred revenue	55,203	-	-	55,203
Other liabilities	1,184	-	-	1,184
<b>TOTAL LIABILITIES</b>	<b>3,024,988</b>	<b>-</b>	<b>56,422</b>	<b>3,081,410</b>
<b>FUND BALANCES:</b>				
Reserved for:				
Capital projects	-	4,318,085	-	4,318,085
Retirement of debt	-	-	336,026	336,026
School lunch	-	-	212,159	212,159
Unreserved:				
Designated for contingencies	3,000,000	-	-	3,000,000
Undesignated	3,408,119	-	-	3,408,119
<b>TOTAL FUND BALANCES</b>	<b>6,408,119</b>	<b>4,318,085</b>	<b>548,185</b>	<b>11,274,389</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,433,107</b>	<b>\$ 4,318,085</b>	<b>\$ 604,607</b>	<b>\$ 14,355,799</b>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Governmental Funds  
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets  
June 30, 2007**

**Total Fund Balances for Governmental Funds** **\$ 11,274,389**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	26,651,546	
Accumulated depreciation	<u>(16,624,924)</u>	10,026,622

Unamortized bond issue costs are not financial resources and therefore are not reported in the funds.

79,717

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Bonds & Loans payable	8,992,096	
Accrued interest on bonds	52,899	
Employee benefits payable (other than those reported in internal service fund)	1,312,455	
Deferred discount on refunding bonds	<u>(62,766)</u>	<u>(10,294,683)</u>

<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b><u>\$ 11,086,045</u></b>
--	-----------------------------

See Notes to Financial Statements.

**Marquette Area Public Schools  
Governmental Funds  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2007**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Other Nonmajor Governmental Funds</b>	<b>Total</b>
<b>REVENUES:</b>				
Taxes and penalties	\$ 7,231,801	\$ -	\$ 1,226,375	\$ 8,458,176
Federal sources	777,420	-	325,234	1,102,654
State aid	18,787,978	-	48,997	18,836,975
Local sources	521,995	-	-	521,995
Interest	510,047	-	52,825	562,872
Intermediate sources	1,677,568	-	-	1,677,568
Other	-	83,433	750,099	833,532
<b>TOTAL REVENUES</b>	<b>29,506,809</b>	<b>83,433</b>	<b>2,403,530</b>	<b>31,993,772</b>
<b>EXPENDITURES:</b>				
Current:				
Instruction	17,015,018	-	-	17,015,018
Supporting services	10,317,320	-	-	10,317,320
Community services	185,899	-	-	185,899
Food service activities	-	-	830,744	830,744
Athletic activities	-	-	526,359	526,359
Debt Service:				
Principal	-	-	840,000	840,000
Interest	-	-	336,294	336,294
Other	487,373	136,140	8,568	632,081
<b>TOTAL EXPENDITURES</b>	<b>28,005,610</b>	<b>136,140</b>	<b>2,541,965</b>	<b>30,683,715</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,501,199</b>	<b>(52,707)</b>	<b>(138,435)</b>	<b>1,310,057</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	3,479,194	277,259	3,756,453
Operating transfers out	(3,756,453)	-	-	(3,756,453)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,756,453)</b>	<b>3,479,194</b>	<b>277,259</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,255,254)</b>	<b>3,426,487</b>	<b>138,824</b>	<b>1,310,057</b>
Fund Balance, July 1	8,663,373	891,598	409,361	9,964,332
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 6,408,119</b>	<b>\$ 4,318,085</b>	<b>\$ 548,185</b>	<b>\$ 11,274,389</b>

See Notes to Financial Statements.



**Marquette Area Public Schools  
Governmental Funds  
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2007**

**Net Change in Fund Balances - Total Governmental Funds** **\$ 1,310,057**

*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	730,740	
Lease expense	(68,434)	
Capital outlays, net of retirements	<u>(748,718)</u>	86,412

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets. (61,991)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 840,000

Unamortized bond issue costs and the deferred discount are reported as expenditures in the governmental funds. However, for governmental activities those costs are shown in the statement of net assets and amortized over the life of the bond issuance as annual interest and other costs in the statement of activities. (11,873)

Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities. 3,150

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. 106,107

<b>Change in Net Assets of Governmental Activities</b>		<b><u>\$ 2,271,862</u></b>
--	--	----------------------------

See Notes to Financial Statements.

**Marquette Area Public Schools  
Proprietary Funds  
Statement of Net Assets  
June 30, 2007**

	<u>Governmental Activities</u>
	<u>Internal Service Fund</u>
<b>ASSETS:</b>	
<b>Current Assets:</b>	
Investments	\$ 347,411
Due from other funds	24,886
<b>TOTAL ASSETS</b>	<u><u>\$ 372,297</u></u>
 <b>LIABILITIES:</b>	
<b>Noncurrent Liabilities:</b>	
Due to other funds	\$ -
Employee benefits payable	372,297
<b>TOTAL LIABILITIES</b>	<u><u>\$ 372,297</u></u>
 <b>NET ASSETS:</b>	
Unrestricted	-
<b>TOTAL NET ASSETS</b>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Proprietary Funds  
Statement of Revenues, Expenses and Changes in Net Assets  
For the Year Ended June 30, 2007**

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
<b>OPERATING REVENUES:</b>	
Other revenue for services	\$ 94,316
<b>TOTAL OPERATING REVENUES</b>	<u>94,316</u>
<b>OPERATING EXPENSES:</b>	
<b>Employee Benefits:</b>	
Terminal leave	104,706
FICA	8,010
<b>TOTAL OPERATING EXPENSES</b>	<u>112,716</u>
<b>OPERATING INCOME (LOSS)</b>	(18,400)
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
Interest income	18,400
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<u>18,400</u>
<b>CHANGE IN NET ASSETS</b>	-
Net Assets, July 1	<u>-</u>
<b>NET ASSETS, JUNE 30</b>	<u><u>\$ -</u></u>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Proprietary Funds  
Statement of Cash Flows  
For the Year Ended June 30, 2007**

	<u>Internal Service Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (18,400)
Changes in Assets and Liabilities:	
Increase (decrease) in liabilities:	
Employee benefits payable:	
Obligations incurred	112,716
Payments made	(202,130)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>(107,814)</u>
 <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Operating transfers in	-
<b>NET CASH PROVIDED (USED) FOR NONCAPITAL FINANCING ACTIVITIES</b>	<u>-</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Interest income	18,400
<b>NET CASH PROVIDED (USED) FOR CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>18,400</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>(89,414)</u>
 Cash and cash equivalents, July 1	<u>436,825</u>
 <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u><u>\$ 347,411</u></u>

See Notes to Financial Statements.

**Marquette Area Public Schools  
Fiduciary Funds  
Statement of Fiduciary Net Assets  
June 30, 2007**

	Private-Purpose Trust	Student Activity Agency Fund
<b>ASSETS:</b>		
Cash and equivalents	\$ 107,293	\$ 313,047
Investments - certificates of deposit	205,495	-
Accounts receivable	319	3,065
<b>TOTAL ASSETS</b>	<u>313,107</u>	<u>\$ 316,112</u>
<b>LIABILITIES:</b>		
Accounts payable	-	\$ 8,261
Due to other governmental units		382
Due to other funds	-	45
Due to groups, organizations and activities	-	307,424
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>316,112</u>
<b>NET ASSETS:</b>		
Reserved for scholarships	<u>313,107</u>	<u>-</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 313,107</u>	<u>\$ 316,112</u>

See Notes to Financial Statements.

Marquette Area Public Schools  
Fiduciary Fund  
Statement of Changes in Fiduciary Net Assets  
For the Year Ended June 30, 2007

	<u>Private-Purpose Trust</u>
<b>ADDITIONS:</b>	
Private sources contributions	\$ 111,750
Interest	<u>19,543</u>
<b>TOTAL ADDITIONS</b>	<u>131,293</u>
<b>DEDUCTIONS:</b>	
Scholarships awarded	<u>111,100</u>
<b>TOTAL DEDUCTIONS</b>	<u>111,100</u>
<b>CHANGE IN NET ASSETS</b>	20,193
Net assets, July 1	<u>292,914</u>
<b>NET ASSETS, JUNE 30</b>	<u><u>\$ 313,107</u></u>

See Notes to Financial Statements.

**MARQUETTE AREA PUBLIC SCHOOLS**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2007**

**NOTE A - THE FINANCIAL REPORTING ENTITY:**

The Marquette Area Public School District covers an area of 123 square miles and serves a population of approximately 31,000. During fiscal 2007 public education was provided to over 4,000 students in grades Kindergarten through 12. The educational sites include four elementary schools, two middle schools, and one high school.

The School District operates under an elected Board of Education of seven (7) members, which are elected across the District to establish programs and policies.

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the financial position of the Marquette Area Public Schools, Marquette County. The criteria established by GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

Based upon the application of these criteria, the financial statements of the Marquette Area Public Schools contain all the funds controlled by the School District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the School District conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

**BASIS OF PRESENTATION**

*District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

*Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

considered a major fund and the remaining funds of the School District are considered major if they meet the following criteria:

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its major governmental fund in accordance with the above criteria. The funds of the School District are described below:

### Governmental Funds

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The special revenue funds for the Marquette Area Public Schools are the Food Service and Athletics funds.

**Debt Service Fund** – The Debt Service Fund is used to account for the accumulation of resources such as taxes, state aid and interest revenue for the payment of general long-term debt principal, interest, and related costs.

**Capital Projects Fund** – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

### Proprietary Funds

**Internal Service Fund** - Internal Service funds are used in significant part for financing of early retirement incentive and unused sick leave reimbursement plan payments

## MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:



## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.
- b. The proprietary funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported. Proprietary fund equity is classified as net assets.

### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

### **Cash and Equivalents**

The School District cash and cash equivalents as reported in the Statement of Cash Flows and the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit and short-term investments with maturities of three months or less.

### **Investments**

Investments are carried at market value.

### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### **Due From and To Other Funds**

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### **Inventory**

The School District utilizes the consumption method of recording inventories of materials and food supplies. Under the consumption method, inventories are recorded as expenditures when they are used. The inventory is valued at the lower of cost (first-in, first-out) or market.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **Capital Assets**

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the district-wide financial statements.

### **Long-Term Debt**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the district-wide statements.

### **Compensated Absences**

The School District's policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources, while proprietary funds report the liability as it is incurred.

### **Deferred Revenues**

In the district-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$55,203 in the General Fund for grant funding that has been received but is unearned.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

1. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
3. Unrestricted Net Assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

#### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate. Proprietary fund equity is classified the same as in the district-wide statements.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

#### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

### Property Taxes

Property taxes are levied on July 1 and December 1, on behalf of the District by various taxing units and are payable without penalty by September 30 and February 28. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

## **NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### Expenses/Expenditures

#### *District-Wide Statements*

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

#### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

In the proprietary fund financial statements, expenses are classified by operating and nonoperating and are sub-classified by function such as personnel services and other services and charges.

## **OTHER SIGNIFICANT ACCOUNTING POLICIES**

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

## NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE C – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

As of June 30, 2007, the District's cash and cash equivalents and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total Primary Government
Cash and equivalents	\$5,181,152	\$625,835	\$5,806,987
Investments	5,757,529	-	5,757,529
	<u>\$10,938,681</u>	<u>\$625,835</u>	<u>\$11,564,516</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. As of June 30, 2007, \$5,564,134 of the District's bank balance of \$5,667,652 was exposed to custodial credit risk as being uninsured and uncollateralized.

### Investments

As of June 30, 2007, the District had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
Michigan Liquid Asset Fund – Mutual Bonds	<u>\$5,757,529</u>	<u>\$5,757,529</u>

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the District's investments. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes authorize the District to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

The District has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The District's investments are in accordance with statutory authority.

## NOTE D – DUE FROM OTHER GOVERNMENTAL UNITS:

Amounts due from other governments consist of \$3,106,986 due from the State of Michigan for State Aid, and \$470,279 due from other governmental units for the operation of special programs and grant projects.

## NOTE E – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):

Marquette Area Public Schools reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds. Interfund transactions resulting in interfund receivables and payables are as follows:

	Receivable		Payable
General Fund	\$4,078	Athletic Fund	\$4,048
School Service Fund	15	Student Activity Fund	45
Internal Service Fund	24,886	General Fund	24,886
Total	<u>\$28,979</u>	Total	<u>\$28,979</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

A summary of operating transfers to/from other funds during fiscal year 2007 is as follows:

	Operating Transfers In		Operating Transfers Out
Athletic Fund	\$277,259	General Fund	\$3,756,453
Capital Projects Fund	3,479,194		
	<u>\$3,756,453</u>		<u>\$3,756,453</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to Debt Service from the funds collecting the receipts to the Debt Service Fund as debt service payments become due, and (3) use unrestricted revenue collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

## NOTE F – ACCRUED LIABILITIES:

A summary of accrued liabilities at June 30, 2007 is as follows:

	Governmental Activities
Accrued wages	\$1,516,807
MESSA payable	638,837
Accrued fringes	386,216
Accrued interest	52,899
	<u>\$2,594,759</u>

## NOTE G – LONG-TERM OBLIGATIONS:

A summary of long-term obligations at June 30, 2007, and transactions related thereto for the year then ended is as follows:

	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007
School Improvement Bonds, Series 1998, due in annual installments of \$29,000 to \$54,000 through 2013 with interest of 8.00%. The only source of revenues for making the debt service payments on these bonds is an annual state appropriation.	\$347,463	\$-	\$-	\$347,463
Installment loan contract, due in annual installments of \$20,980 including interest at 3.92% through August 2008.	58,312	-	18,695	39,617
Installment loan contract due in annual installments of \$21,928 including interest at 12% through July 2009	78,779	-	18,430	60,349
Installment loan contract due in annual installments of \$25,165 including interest at 5.0% through July 2010	108,984	-	19,727	89,257
Installment loan contract due in annual installments of \$23,165 including interest at 4.81% through November 2011	-	61,993	11,582	50,411
2003 Refunding Issue Serial Bonds, due in annual installments of \$500,000 to \$885,000 through 2020 with interest of 2.0% to 4.35%	9,245,000	-	840,000	8,405,000
Subtotal	9,838,538	61,993	908,434	8,992,096
Employee benefits – terminal leave	1,418,562	-	106,107	1,312,455
<b>TOTAL LONG-TERM DEBT</b>	<b>\$11,257,100</b>	<b>\$61,993</b>	<b>\$1,014,541</b>	<b>\$10,304,551</b>

### Debt Service Requirements

The annual requirements to pay principal and interest based on debt outstanding at June 30, 2007 (exclusive of employee benefits) are as follows:

Fiscal Year	Principal	Interest	Total
2008	\$928,547	\$328,504	\$1,257,051
2009	1,156,757	377,141	1,533,898
2010	953,193	276,849	1,230,042
2011	900,454	242,385	1,142,839
2012	833,702	209,921	1,043,623
2013-2017	3,199,443	602,462	3,801,905
2018-2021	1,020,000	84,152	1,104,152
<b>TOTALS</b>	<b>\$8,992,096</b>	<b>\$2,121,414</b>	<b>\$11,113,510</b>

## NOTE H – LONG-TERM OBLIGATIONS:

### Employee Benefits

The School District accrues the liability for earned sick leave based on the vesting method. The liability is accrued as benefits are earned if it is probable that the District will compensate the employees conditioned upon retirement. The current labor agreements stipulate sick leave must be taken in order to be paid, except at retirement at which time 100% of the unused accumulated sick days up to a maximum of two hundred are converted to terminal leave pay. The District has provided early retirement incentives. Employee benefits payable are recorded in the financial statements as follows:

	Internal Service Fund	Other	Total Governmental Activities
Employee Severance Plan	\$38,290	\$-	\$38,290
Sick Leave	334,007	1,312,455	\$1,646,462
	<u>\$372,297</u>	<u>\$1,312,455</u>	<u>\$1,684,752</u>

## NOTE I – CAPITAL ASSETS:

Capital assets activity of the School District's governmental activities was as follows:

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$822,392	\$-	\$-	\$822,392
Capital assets being depreciated:				
Site improvements	1,685,662	53,310	-	1,738,972
Buildings	18,955,254	478,608	-	19,433,862
Equipment	3,076,505	123,931	229,233	2,971,203
Vehicles and buses	1,847,676	123,986	286,545	1,685,117
Total Capital Assets	<u>26,387,489</u>	<u>779,835</u>	<u>515,778</u>	<u>26,651,546</u>
Capital assets being depreciated:				
Site improvements	1,318,493	107,056	-	1,425,549
Buildings	11,212,544	388,971	-	11,601,515
Equipment	2,418,511	127,866	198,115	2,348,262
Vehicles and buses	1,429,297	106,847	286,546	1,249,598
Total Accumulated Depreciation	<u>16,378,845</u>	<u>730,740</u>	<u>484,661</u>	<u>16,624,924</u>
Governmental Activities Capital Assets, Net	<u>\$10,008,644</u>	<u>\$49,095</u>	<u>\$31,117</u>	<u>\$10,026,622</u>

Depreciation expense was charged to unallocated activities in the amount of \$730,740.

## NOTE I – RESERVED AND DESIGNATED FUND EQUITY:

The School District reserves fund equities for the following funds:

General Fund – The School district designated \$3,000,000 which represents a contingency fund for future operational needs.

School Lunch Fund – The resources of the School Lunch Fund are to be used for the school lunch program. The fund equity is reserved for this purpose.



## **NOTE I – RESERVED AND DESIGNATED FUND EQUITY (Continued):**

Debt Service Funds – The resources of the Debt Service Funds have been accumulated for the specific purpose of bond and interest debt retirement. The fund equities are reserved for these purposes.

Capital Project Fund – The resources of the Building & Site Fund are to be used for capital outlay projects. The fund equity is reserved for this purpose.

Expendable Trust Fund – The resources of the Expendable Trust Fund are to be used for the granting of scholarships and awards to qualified students.

## **NOTE J – STATE REVENUE:**

The State of Michigan currently uses a foundation grant approach which provides for a specific annual amount of revenue per student based on a state wide formula. The foundation is funded from state and local sources. Revenue from state sources is primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2007, the foundation allowance was based on the weighted average of pupil membership counts taken in February and October of 2006.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2006 – August 2007.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

## **NOTE K – NONMONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities as utilized. The School District recognized \$33,907 during fiscal 2007 in revenues and expenditures for USDA commodities.

## **NOTE L – PROPERTY TAXES:**

The taxable value of real and personal property located in the School District at December 31, 2006 totaled \$813,980,213 (\$410,679,465 designated as Homestead and \$403,300,748 designated as Non-Homestead). The total tax levy consists of 18 mills for the General Fund and 1.5 mills for debt retirement.

## **NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

Substantially all of the School District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

## **NOTE M – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service.

The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 16.34% of covered compensation to the Plan through September 30, 2006 and 17.74% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2007 was \$3,336,270 which consisted of \$2,835,543 from the School District and \$500,727 from employees electing the MIP option. These represent approximately 16% and 3% of covered payroll, respectively. The School District's contributions to MPSERS for 2006 were \$2,572,942 and for 2005 was \$2,827,332.

Payroll paid to employees covered by the System for the year ended June 30, 2007 was approximately \$16,263,181. The School District's total payroll was approximately \$16,368,326.

### Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS, at MPSERS, P.O. Box 30673, Lansing, Michigan, 48909-8103.

## **NOTE N – CONTINGENT LIABILITIES:**

### Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

## **NOTE N – CONTINGENT LIABILITIES (Continued):**

### Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The School District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The School District joined together with other units and created a public entity risk pool currently operating as a common risk management and insurance program. The School District pays an annual premium to the pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The School District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The School District is unable to provide an estimate of the amounts of additional assessments that may be required to make the pool self-sustaining.

## **NOTE O – ECONOMIC DEPENDENCY:**

The School District received approximately 62 percent of its revenue through state and federal sources to be used for providing elementary and secondary education for the residents of Marquette. The District's Foundation Allowance is set by the state and includes the local contribution from Non Homestead taxes. Increases in the local Non Homestead property tax revenues are offset by a corresponding decrease in state aid on a per pupil basis.

## **REQUIRED SUPPLEMENTAL INFORMATION**

**Marquette Area Public Schools  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources	\$ 7,915,832	\$ 8,189,753	\$ 8,263,843	\$ 273,921	\$ 74,090
State sources	17,922,396	18,750,328	18,787,978	827,932	37,650
Federal sources	873,568	833,653	777,420	(39,915)	(56,233)
Other governmental units	1,172,071	1,615,855	1,877,568	443,784	61,713
<b>TOTAL REVENUES</b>	<b>27,883,867</b>	<b>29,389,589</b>	<b>29,506,809</b>	<b>1,505,722</b>	<b>117,220</b>
<b>EXPENDITURES:</b>					
<b>Instruction:</b>					
Basic Programs	13,763,571	13,564,457	13,276,322	199,114	288,135
Added Needs	4,037,925	3,762,203	3,731,069	275,722	31,134
Adult/Continuing education	10,877	10,293	7,627	584	2,666
<b>Total Instruction</b>	<b>17,812,373</b>	<b>17,336,953</b>	<b>17,015,018</b>	<b>475,420</b>	<b>321,935</b>
<b>Supporting Services:</b>					
Pupil services	2,236,108	2,344,857	2,304,439	(108,749)	40,418
Instructional staff	799,578	867,700	810,827	(68,122)	56,873
General administration	596,814	599,893	573,695	(3,079)	26,198
School administration	1,547,920	1,555,584	1,546,647	(7,664)	8,937
Business services	276,371	288,747	285,837	(12,376)	2,910
Operation and maintenance	2,739,056	2,619,632	2,628,605	119,424	(8,973)
Pupil transportation	1,297,314	1,238,709	1,261,006	58,605	(22,297)
Central staff	793,752	843,823	809,453	(50,071)	34,370
Other	93,306	99,709	96,811	(6,403)	2,898
<b>Total Supporting services</b>	<b>10,380,219</b>	<b>10,458,654</b>	<b>10,317,320</b>	<b>(78,435)</b>	<b>141,334</b>
<b>Community Services</b>					
Recreation/Community Activities	233,391	190,336	185,899	43,055	4,437
<b>Total Community services</b>	<b>233,391</b>	<b>190,336</b>	<b>185,899</b>	<b>43,055</b>	<b>4,437</b>
<b>Pymts. To Other Gov't./Facilities Acquisition:</b>					
Facilities Acquisition	350,000	414,948	407,348	(54,948)	7,600
Payments to Other Gov't. Units	-	80,025	80,025	(80,025)	-
<b>Total Pymts./Facilities Acquisition</b>	<b>350,000</b>	<b>494,973</b>	<b>487,373</b>	<b>(144,973)</b>	<b>7,600</b>
<b>TOTAL EXPENDITURES</b>	<b>28,775,983</b>	<b>28,480,916</b>	<b>28,005,610</b>	<b>295,067</b>	<b>475,306</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(892,116)</b>	<b>908,673</b>	<b>1,501,199</b>	<b>1,800,789</b>	<b>592,526</b>
<b>OTHER FINANCING SOURCES</b>					
Operating transfers out	(305,755)	(3,758,013)	(3,756,453)	(3,452,258)	1,550
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>(1,197,871)</b>	<b>(2,849,340)</b>	<b>(2,255,254)</b>	<b>(1,651,469)</b>	<b>594,086</b>
FUND BALANCE, JULY 1	8,009,952	8,663,373	8,663,373	653,421	-
FUND BALANCE, JUNE 30	<u>\$ 6,812,081</u>	<u>\$ 5,814,033</u>	<u>\$ 6,408,119</u>	<u>\$ (998,048)</u>	<u>\$ 594,086</u>

Marquette Area Public Schools  
Budgetary Comparison Schedule  
Capital Projects Fund  
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
<b>REVENUES:</b>					
Local sources	\$ 20,000	\$ 75,000	\$ 83,433	\$ 55,000	\$ 8,433
<b>TOTAL REVENUES</b>	<u>20,000</u>	<u>75,000</u>	<u>83,433</u>	<u>55,000</u>	<u>8,433</u>
<b>EXPENDITURES:</b>					
Supporting Services:					
Facilities Acquisition	148,400	136,300	132,126	12,100	4,174
Other	-	-	4,014	-	(4,014)
<b>TOTAL EXPENDITURES</b>	<u>148,400</u>	<u>136,300</u>	<u>136,140</u>	<u>12,100</u>	<u>160</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(128,400)</u>	<u>(61,300)</u>	<u>(52,707)</u>	<u>67,100</u>	<u>8,593</u>
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in	33,200	3,485,458	3,479,194	(3,452,258)	6,264
Operating transfers out					
<b>EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<u>(95,200)</u>	<u>3,424,158</u>	<u>3,426,487</u>	<u>(3,519,358)</u>	<u>(2,329)</u>
<b>FUND BALANCE, JULY 1</b>	<u>889,932</u>	<u>891,598</u>	<u>891,598</u>	<u>1,666</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u>\$ 794,732</u>	<u>\$ 4,315,756</u>	<u>\$ 4,318,085</u>	<u>\$ (3,517,692)</u>	<u>\$ (2,329)</u>

## **OTHER SUPPLEMENTAL INFORMATION**

General Fund  
Balance Sheet  
June 30, 2007  
With Comparative Actual Amounts at June 30, 2006

	2007	2006
<b>ASSETS:</b>		
Cash and equivalents	\$ 4,598,630	\$ 5,008,747
Investments	1,092,033	2,737,657
Accounts receivable	46,743	14,348
Due from other governmental units	3,569,145	3,927,624
Delinquent taxes receivable	22,323	33,539
Prepaid Expense	100,155	-
Due from other funds	4,078	153
<b>TOTAL ASSETS</b>	<b><u>\$ 9,433,107</u></b>	<b><u>\$ 11,722,068</u></b>
<b>LIABILITIES:</b>		
Accounts payable	\$ 301,286	\$ 212,152
Accrued liabilities	2,528,683	2,557,262
Deferred revenue	55,203	58,954
Due to State of Michigan	113,746	223,590
Due to other funds	24,886	5,653
Other Liabilities	1,184	1,084
<b>TOTAL LIABILITIES</b>	<b><u>3,024,988</u></b>	<b><u>3,058,695</u></b>
<b>FUND EQUITY:</b>		
Fund balance:		
Designated for contingencies	3,000,000	3,000,000
Unreserved	3,408,119	5,663,373
<b>TOTAL FUND EQUITY</b>	<b><u>6,408,119</u></b>	<b><u>8,663,373</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 9,433,107</u></b>	<b><u>\$ 11,722,068</u></b>



Marquette Area Public Schools  
Capital Projects Fund  
Balance Sheet  
June 30, 2007  
With comparative amounts at June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>Assets:</b>		
Investments	\$ 4,318,085	\$ 887,829
Due from Other Funds	<u>-</u>	<u>3,769</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 4,318,085</u></u>	<u><u>\$ 891,598</u></u>
<b>Liabilities:</b>		
Accounts payable	<u>\$ -</u>	<u>\$ -</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>
<b>Fund Equity:</b>		
<b>Fund Balance:</b>		
Reserved for capital projects	<u>4,318,085</u>	<u>891,598</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 4,318,085</u></u>	<u><u>\$ 891,598</u></u>

**Marquette Area Public Schools  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2007**

	Lunch Fund	Athletic Fund	Debt Service	Total
<b>ASSETS:</b>				
Cash and equivalents	\$ 209,035	\$ 39,542	\$ 333,945	\$ 582,522
Accounts receivable	3,735	2,171	2,081	7,987
Due from others	8,120	-	-	8,120
Due from other funds	15	-	-	15
Inventories	5,963	-	-	5,963
<b>TOTAL ASSETS</b>	<b>\$ 226,868</b>	<b>\$ 41,713</b>	<b>\$ 336,026</b>	<b>\$ 604,607</b>
<b>LIABILITIES AND FUND BALANCES:</b>				
<b>LIABILITIES:</b>				
Accounts payable	\$ 2,302	\$ 3,734	\$ -	\$ 6,036
Due to other funds	4,048	-	-	4,048
Due to others	-	33,161	-	33,161
Accrued liabilities	8,359	4,818	-	13,177
<b>TOTAL LIABILITIES</b>	<b>14,709</b>	<b>41,713</b>	<b>-</b>	<b>56,422</b>
<b>FUND BALANCES:</b>				
Reserved for:				
School lunch	212,159	-	-	212,159
Debt retirement	-	-	336,026	336,026
<b>TOTAL FUND BALANCES</b>	<b>212,159</b>	<b>-</b>	<b>336,026</b>	<b>548,185</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 226,868</b>	<b>\$ 41,713</b>	<b>\$ 336,026</b>	<b>\$ 604,607</b>

**Marquette Area Public Schools  
Nonmajor Governmental Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2007**

	School Lunch	Athletic Fund	Debt Retirement	Total
<b>REVENUES:</b>				
Federal sources	\$ 325,234	\$ -	\$ -	\$ 325,234
State aid	48,997	-	-	48,997
Taxes & penalties	-	-	1,226,375	1,226,375
School lunch activities	493,873	-	-	493,873
Athletic activities	-	249,100	-	249,100
Interest	11,887	-	40,938	52,825
Other	380	-	6,746	7,126
<b>TOTAL REVENUES</b>	<b>880,371</b>	<b>249,100</b>	<b>1,274,059</b>	<b>2,403,530</b>
<b>EXPENDITURES:</b>				
School lunch activities	830,744	-	-	830,744
Athletic activities	-	526,359	-	526,359
Debt service payments - Principal	-	-	840,000	840,000
Debt service payments - Interest	-	-	336,294	336,294
Other	-	-	8,568	8,568
<b>TOTAL EXPENDITURES</b>	<b>830,744</b>	<b>526,359</b>	<b>1,184,862</b>	<b>2,541,965</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>49,627</b>	<b>(277,259)</b>	<b>89,197</b>	<b>(138,435)</b>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	-	277,259	-	277,259
<b>NET CHANGE IN FUND BALANCE</b>	<b>49,627</b>	<b>-</b>	<b>89,197</b>	<b>138,824</b>
Fund Balance, July 1	162,532	-	246,829	409,361
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 212,159</b>	<b>\$ -</b>	<b>\$ 336,026</b>	<b>\$ 548,185</b>

Marquette Area Public Schools  
School Lunch Fund  
Statement of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007			
	Budget	Actual	Variance Favorable (Unfavorable)	2006
<b>REVENUES:</b>				
Federal sources	\$ 301,000	\$ 325,234	\$ 24,234	\$ 318,469
State aid	50,400	48,997	(1,403)	41,609
School lunch activities	469,200	493,873	24,673	478,291
Interest	9,500	11,887	2,387	6,263
Other revenues	500	380	(120)	301
<b>TOTAL REVENUES</b>	<b>830,600</b>	<b>880,371</b>	<b>49,771</b>	<b>844,933</b>
<b>EXPENDITURES:</b>				
School lunch activities:				
Professional salaries	34,664	34,664	-	31,768
Non professional salaries	187,437	186,205	1,232	186,537
Insurance	95,033	86,218	8,815	97,986
FICA, retirement, etc.	64,682	64,246	436	52,810
Purchased services	10,500	11,897	(1,397)	15,985
Supplies and materials	448,100	430,450	17,650	420,076
Capital outlay	14,000	13,336	664	34,343
Other	9,632	3,728	5,904	4,045
<b>TOTAL EXPENDITURES</b>	<b>864,048</b>	<b>830,744</b>	<b>33,304</b>	<b>843,550</b>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (33,448)</b>	<b>49,627</b>	<b>\$ 83,075</b>	<b>1,383</b>
FUND BALANCE, JULY 1		162,532		161,149
<b>FUND BALANCE, JUNE 30</b>		<b>\$ 212,159</b>		<b>\$ 162,532</b>

Marquette Area Public Schools  
Athletic Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2007  
With Comparative Actual Amounts for the Year Ended June 30, 2006

	2007		Variance Favorable (Unfavorable)	2006
	Budget	Actual		
<b>REVENUES:</b>				
Athletic activities	\$ 250,395	\$ 249,100	\$ (1,295)	\$ 277,342
<b>TOTAL REVENUES</b>	<u>250,395</u>	<u>249,100</u>	<u>(1,295)</u>	<u>277,342</u>
<b>EXPENDITURES:</b>				
Athletic activities:				
Professional salaries	70,775	70,775	-	68,204
Non professional salaries	163,214	159,331	3,883	177,092
Insurance	16,484	16,654	(170)	18,549
FICA, retirement, etc.	55,647	56,350	(703)	55,673
Purchased services	93,622	98,361	(4,739)	66,171
Supplies and materials	81,728	84,941	(3,213)	74,937
Capital outlay	2,130	-	2,130	39,382
Other	39,350	39,947	(597)	53,066
<b>TOTAL EXPENDITURES</b>	<u>522,950</u>	<u>526,359</u>	<u>(3,409)</u>	<u>553,074</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	\$ (272,555)	(277,259)	\$ 4,704	(275,732)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	272,555	277,259	(4,704)	275,732
<b>EXCESS REVENUES AND OTHER FINANCING SOURCES (EXPENDITURES)</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCE, JULY 1</b>		<u>-</u>		<u>-</u>
<b>FUND BALANCE, JUNE 30</b>		<u>\$ -</u>		<u>\$ -</u>

Marquette Area Public Schools  
Debt Service Fund  
Balance Sheet  
June 30, 2007  
With comparative amounts at June 30, 2006

	<u>2007</u>	<u>2006</u>
<b>Assets:</b>		
Cash & Investments	\$ 333,945	\$ 258,629
Delinquent property taxes	<u>2,081</u>	<u>2,732</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 336,026</u></u>	<u><u>\$ 261,361</u></u>
<b>Liabilities:</b>		
Due to other governmental units	<u>\$ -</u>	<u>\$ 14,532</u>
<b>FUND EQUITY:</b>		
Fund Balance:		
Reserved for debt retirement	<u>336,026</u>	<u>246,829</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$ 336,026</u></u>	<u><u>\$ 261,361</u></u>

Marquette Area Public Schools  
Debt Service Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance-Budget and Actual  
For the Year Ended June 30, 2007  
With comparative actual amounts for the year ended June 20, 2006

	2007			
	Budget	Actual	Variance Favorable (Unfavorable)	2006
<b>Revenues:</b>				
State aid-restricted	\$ -	\$ -	\$ -	\$ 41,323
Taxes and penalties	1,226,247	1,226,375	128	1,226,509
Interest	45,000	40,938	(4,062)	27,213
Prior period revenue adjustment	-	-	-	(12,859)
Other	-	6,746	6,746	3,864
<b>TOTAL REVENUES</b>	<u>1,271,247</u>	<u>1,274,059</u>	<u>2,812</u>	<u>1,286,050</u>
<b>Expenditures:</b>				
Debt service-principal payments	840,000	840,000	-	853,484
Debt service-interest and agent fees	336,294	336,294	-	365,634
Other	10,250	8,568	1,682	3,887
<b>TOTAL EXPENDITURES</b>	<u>1,186,544</u>	<u>1,184,862</u>	<u>1,682</u>	<u>1,223,005</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>\$ 84,703</u>	<u>89,197</u>	<u>\$ 4,494</u>	<u>63,045</u>
<b>FUND BALANCE, JULY 1</b>		<u>246,829</u>		<u>183,784</u>
<b>FUND BALANCE, JUNE 30</b>		<u>\$ 336,026</u>		<u>\$ 246,829</u>

Marquette Area Public Schools  
Student Activity Fund  
Statement of Changes in Assets and Liabilities  
For the Year Ended June 30, 2007

	Balance July 1	Additions	Deductions	Balance June 30
<b>ASSETS:</b>				
Cash and equivalents	\$ 318,971	\$ 584,134	\$ 590,058	\$ 313,047
Accounts receivable	484	3,065	484	3,065
<b>TOTAL ASSETS</b>	<u>\$ 319,455</u>	<u>\$ 587,199</u>	<u>\$ 590,542</u>	<u>\$ 316,112</u>
<b>LIABILITIES:</b>				
Due to other funds	\$ 80	\$ 44	\$ 80	\$ 44
Accounts payable	3,191	576,060	570,990	8,261
Due to other governmental units	112	4,680	4,409	383
Due to groups, organizations and activities	316,072	628,761	637,409	307,424
<b>TOTAL LIABILITIES</b>	<u>\$ 319,455</u>	<u>\$ 1,209,545</u>	<u>\$ 1,212,888</u>	<u>\$ 316,112</u>



**Marquette Area Public Schools  
Student Activity Agency Fund  
Statement of Receipts, Disbursements and Transfers  
For the Year Ended June 30, 2007**

	Balance June 30, 2006	Receipts	Disbursements	Balance June 30, 2007
ABC Conference	\$ 210	\$ -	\$ -	\$ 210
Academic Extracurricular	-	91	-	91
Advanced Placement	4,304	20,514	19,824	4,994
Athletics	311	449	334	426
Auto Shop	-	1,000	-	1,000
Band Fund	2,462	10,079	8,590	3,951
Band Fund-Bothwell	4,867	5,701	6,963	3,605
Bay Cliff - 5th Grade	2,160	15,768	15,802	2,126
Big Foot Snowshoe	159	-	-	159
BPA	6,310	1,945	484	7,771
Board Flower fund	87	-	-	87
Board Flower fund	-	210	210	-
Bothwell Extracurricular Activities	3,149	1,628	2,672	2,105
Bothwell Junior Honor Society	1,234	330	400	1,164
Bothwell School Camp	38,213	48,005	67,701	18,517
Bothwell Sports	5,345	13,655	17,584	1,416
Bothwell Student Benevolence	596	70	100	566
Bus Garage	559	368	575	352
Carnegie Hall	3	-	-	3
Cheer Club	-	610	575	35
Choral Fund	132	124,759	109,638	15,253
Choral Fund	904	1,087	1,826	165
Class of 1991	472	-	-	472
Class of 1995	260	-	-	260
Class of 1996	1,400	130	-	1,530
Class of 1998	1,186	111	-	1,297
Class of 1999	4,134	385	-	4,519
Class of 2000	144	13	-	157
Class of 2001	500	-	-	500
Class of 2002	5	-	-	5
Class of 2003	1,209	7,685	7,200	1,694
Class of 2004	1,218	179	-	1,397
Class of 2005	45	398	-	443
Class of 2006	3,750	219	-	3,969
Class of 2007	5,484	9,788	13,764	1,508
Class of 2008	968	16,520	14,166	3,322
Class of 2009	580	799	720	659
Class of 2010	-	1,319	575	744
CEU-SB	346	-	-	346
Drama Fund	7,111	1,379	1,000	7,490
Expanding Possibilities	6,530	7,697	2,003	12,224
Forensic Club	-	8,822	8,822	-
France Transportation	-	12,710	12,687	23
French Club	637	32,844	33,481	-
Friends of Kaufman	3,825	356	-	4,181
Functional Skills Feliz	356	405	761	-
Functional Skills Cotter	471	-	6	465
German Account	221	-	-	221
Giving Tree	50	753	594	209

**Marquette Area Public Schools  
Student Activity Agency Fund  
Statement of Receipts, Disbursements and Transfers  
For the Year Ended June 30, 2007**

	Balance June 30, 2006	Receipts	Disbursements	Balance June 30, 2007
Great Lakes Conference	\$ 800	\$ 750	\$ 1,550	\$ -
Guidance Special Needs	372	-	276	96
Health Occupation	1,626	4,626	4,597	1,655
High School Bowl	228	-	-	228
High School Office Vending	211	816	357	670
Industrial Arts	553	65	-	618
Interact High School	64	-	-	64
Interest	60,877	28,524	64,201	25,200
Intramural Basketball	800	1,515	1,600	715
Jazz Club	85	800	810	75
K-12 Music	8,700	1,693	386	10,007
Kaufman Incentive	2,019	2,257	500	3,776
Kaufman Incentive	5,255	4,369	3,435	6,189
Kaufman Lyceum	2,048	8,374	2,000	8,422
Kids for Change	396	194	348	242
Library Club	1,091	2,067	2,615	543
Library Club	307	167	227	247
Life Skills	409	-	-	409
Locks PE & Athletics	111	125	-	236
Lounge Fund-High School	249	-	-	249
Lounge Fund-Bothwell	1,498	583	393	1,688
Lyceum	-	10,000	-	10,000
Metals	-	1,855	795	1,060
MSHS Ink	573	93	-	666
Miscellaneous	858	-	-	858
MSHS Orchestra	8,318	111,239	119,557	-
MSHS Sunshine Committee	426	280	211	495
Musical Fund	4,757	11,792	13,486	3,063
National Honor Society	8,699	1,546	143	10,102
Observer	585	175	208	552
Office	7,149	3,370	2,142	8,377
OM Support	375	-	-	375
Parent Training-Sandy Knoll	310	-	-	310
Peer Mentoring Program	371	-	-	371
Photography Club	1,380	101	-	1,481
Pre-Voc	26	-	-	26
PTSO Mini-Grant	-	250	250	-
Records Account-MSHS	11,172	3,038	417	13,793
Recreation-Field Trips-Alt. Ed.	261	2,630	1,969	922
Renaissance	4,470	4,688	5,383	3,775
Rotary	41	-	-	41
SADD	5	-	-	5
Scholarship Fund - Bothwell	2,849	128	-	2,977
Science Olympiad	242	-	-	242
Space Shuttle	-	500	-	500
Spanish Club	74	1,191	1,257	8
Spec Ed Assistive Tech	2,065	192	-	2,257
SSR Reading	640	-	-	640
Stadium Project	62	-	-	62
Student Council-MSHS	13,337	8,727	4,588	17,476

**Marquette Area Public Schools  
Student Activity Agency Fund  
Statement of Receipts, Disbursements and Transfers  
For the Year Ended June 30, 2007**

	Balance <u>June 30, 2006</u>	<u>Receipts</u>	<u>Disbursements</u>	Balance <u>June 30, 2007</u>
Student Council-Bothwell	1,173	3,592	3,585	1,180
Student Activity-Gravereat MS	\$ 234	\$ -	\$ -	\$ 234
Student Activity-Vandenboom	30	-	-	30
Student Activity-Bothwell	42	-	-	42
Student Activity-Cherry Creek	260	-	-	260
Student Activity 5th Grade	119	-	-	119
Student Activity BMS	-	440	412	28
Student Activity BMS	51	223	140	134
Student Activity 8th Grade	770	1,779	1,863	686
Student Activity-At Risk	427	-	-	427
Student Activity-Superior Hills	343	-	-	343
Student Welfare Fund	6,775	631	-	7,406
Tatler	29,557	39,778	33,021	36,314
Teen Leadership	55	-	-	55
Therapeutic Swimming Program	1,389	708	1,701	396
UP Dyslexia Outreach	2,032	189	-	2,221
UP Reading Association	760	-	-	760
Yearbook	1,734	10,478	10,550	1,662
Yearbook	20	-	-	20
Video Club	1,650	2,029	3,379	300
Woods	-	1,000	-	1,000
Wrestling Club	-	413	-	413
Total	<u>\$ 316,072</u>	<u>\$ 628,761</u>	<u>\$ 637,409</u>	<u>\$ 307,424</u>

## COMPLIANCE SECTION



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette Area Public Schools as of and for the year ended June 30, 2007, which collectively comprise the Marquette Area Public Schools basic financial statements and have issued our report thereon dated September 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marquette Area Public Schools' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marquette Area Public Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Marquette Area Public Schools' internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marquette Area Public Schools' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Marquette Area Public Schools' financial statements that is more than inconsequential will not be prevented or detected by Marquette Area Public Schools' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Marquette Area Public Schools' internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Marquette Area Public Schools' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards*.

Board of Education  
Marquette Area Public Schools

This report is intended solely for the information and use of the audit committee, management, and Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 12, 2007



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Marquette Area Public Schools  
Marquette, Michigan 49855

#### Compliance

We have audited the compliance of Marquette Area Public Schools with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Marquette Area Public Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Marquette Area Public Schools' management. Our responsibility is to express an opinion on Marquette Area Public Schools' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette Area Public Schools' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette Area Public Schools' compliance with those requirements.

In our opinion, Marquette Area Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Marquette Area Public Schools is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marquette Area Public Schools' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Marquette Area Public Schools' internal control over compliance.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely

Board of Education  
Marquette Area Public Schools

affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board, management, others within the entity, state and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 12, 2007



MARQUETTE AREA PUBLIC SCHOOLS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA <u>Number</u>	Approved Grant Award <u>Amount</u>	(Memo Only) Prior Year <u>Expenditure</u>	Accrued (Deferred) Revenue <u>July 1, 2006</u>	Current Year <u>Expenditures</u>	Current Year Cash <u>Receipts</u>	Accrued (Deferred) Revenue <u>June 30, 2007</u>
<b>U.S. Department of Education:</b>							
Direct Program:							
P.L. 92-318 Indian Education, Title VII, Part A:							
E-S060A020067	84.060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
B-060A050067	84.060	45,196	45,196	13,892	-	13,892	-
E-S060A040067	84.060	45,853	-	-	46,853	41,267	5,586
<b>TOTAL DIRECT</b>		<b>91,049</b>	<b>45,196</b>	<b>13,892</b>	<b>46,853</b>	<b>55,159</b>	<b>5,586</b>
<b>Passed through Mich. Department of Education:</b>							
ECIA Title I:							
051530 0506	84.010	43,171	43,171	10,183	-	10,183	-
061503 0506	84.010	379,861	371,412	78,454	8,449	86,903	-
061530 0607	84.010	27,673	-	-	27,673	27,673	-
071530 0607	84.010	365,560	-	-	332,443	279,652	52,791
051530 0405	84.010	415,623	6,984	-	-	-	-
<b>TOTAL</b>		<b>1,231,888</b>	<b>421,567</b>	<b>88,637</b>	<b>368,565</b>	<b>404,411</b>	<b>52,791</b>
ECIA Title IIA:							
050520 0506	84.367	27,964	27,964	12,433	-	12,433	-
060520 0506	84.367	172,358	152,570	36,972	19,788	56,760	-
060520 0607	84.367	20,987	-	-	20,987	12,339	8,648
070520 0607	84.367	192,406	-	-	142,789	115,819	26,970
	84.367	-	-	-	-	-	-
Handicapped Preschool & School Program							
060440/SPSR	84.027A	4,073	3,172	3,172	901	4,073	-
ECIA Title VA:							
020250 0102	84.298	-	-	-	-	-	-

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2007
ECIA Title IID:							
064290 0506	84.318	\$ 7,494	\$ 7,494	\$ 3,438	\$ -	\$ 3,438	\$ -
064290 0607	84.318	3,753	-	-	3,753	-	3,753
064290 0607	84.318	109	-	-	109	-	109
ECIA Title V:							
060250 0506	84.298	1,471	1,448	127	23	150	-
060250 0607	84.298	106	-	-	106	-	106
070250 0607	84.298	771	-	-	771	-	771
<b>TOTAL</b>		<b>431,492</b>	<b>192,648</b>	<b>56,142</b>	<b>189,227</b>	<b>205,012</b>	<b>40,357</b>
<b>TOTAL PASSED THROUGH MDE</b>		<b>1,663,380</b>	<b>614,215</b>	<b>144,779</b>	<b>557,792</b>	<b>609,423</b>	<b>93,148</b>
Passed Through Marquette-Alger Regional Educational Services Agency (MARESA):							
Safe & Drug Free Schools 072860 0607	84.186	4,980	-	-	4,980	-	4,980
Safe & Drug Free Schools 062860 0506	84.186	8,522	8,522	-	-	-	-
Safe & Drug Free Schools 052860 0405	84.186	-	-	-	-	-	-
<b>TOTAL</b>		<b>13,502</b>	<b>8,522</b>	<b>-</b>	<b>4,980</b>	<b>-</b>	<b>4,980</b>
P.L. 94-192 Flow Through - #060450 0506	84.027	154,109	154,109	37,458	-	37,458	-
P.L. 94-192 Flow Through - #070450 0607	84.027	152,089	-	-	143,691	73,427	70,264
<b>TOTAL</b>		<b>306,198</b>	<b>154,109</b>	<b>37,458</b>	<b>143,691</b>	<b>110,885</b>	<b>70,264</b>
Goals 2000	84.276	-	-	-	-	-	-
<b>TOTAL</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Title II-D	84.318	810	-	-	72	72	-
Preschool #050460-0405	84.173	1,000	1,000	-	-	-	-
Preschool #060460-0506	84.173	1,000	-	-	1,000	1,000	-
Autism (UP CARES) #060490-3D51	84.027	144	144	-	-	-	-
Autism (UP CARES) #050490-1D20	84.027	-	-	-	-	-	-
<b>TOTAL</b>		<b>2,954</b>	<b>1,144</b>	<b>-</b>	<b>1,072</b>	<b>1,072</b>	<b>-</b>

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2007
Abstinence Partnership	92.235	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Abstinence Partnership	92.235	-	-	-	-	-	-
<b>TOTAL</b>		-	-	-	-	-	-
Perkins - 05-06 6012-02	84.048	20,474	20,474	-	-	-	-
Perkins - 06-07 7012-02	84.048	20,275	-	-	20,275	17,647	2,628
<b>TOTAL</b>		40,749	20,474	-	20,275	17,647	2,628
LEA Medicaid FFS-Transportation	93.778	3,090	6,586	-	3,090	3,090	-
<b>TOTAL</b>		3,090	6,586	-	3,090	3,090	-
<b>TOTAL PASSED THROUGH MARESA</b>		366,493	190,835	37,458	173,108	132,694	77,872
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		2,120,922	850,246	196,129	777,753	797,276	176,606
<b>Passed through Michigan State Police:</b>							
Homeland Security Grant Program Part II-School Initiative	97.004	11,722	9,904	-	-	-	-
<b>TOTAL</b>		11,722	9,904	-	-	-	-
<b>TOTAL PASSED THROUGH MICHIGAN STATE POLICE</b>		11,722	9,904	-	-	-	-
<b>U.S. Department of Agriculture:</b>							
Nutrition Cluster:							
Passed through MDE:							
National School Lunch Program:							
Section 4 -Total Serving 1957 & 1958	10.555	63,950	63,146	-	63,950	63,950	-
Section 11 - Free and Reduced 1967 & 1968	10.555	197,257	185,969	40,584	197,257	237,841	-
<b>TOTAL</b>		261,207	249,115	40,584	261,207	301,791	-
National School Breakfast Program:							
Breakfast 1977 & 1978	10.553	30,120	20,946	-	30,120	30,120	-
<b>TOTAL</b>		30,120	20,946	-	30,120	30,120	-
<b>Total Nutrition Cluster</b>		291,327	270,061	40,584	291,327	331,911	-

Federal Grantor Pass Through Grantor <u>Program Title Grant Number</u>	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	(Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Cash Receipts	(Deferred) Revenue June 30, 2007
Food Distribution:							
Entitlement Commodities	10.550	\$ 33,730	\$ 41,737	\$ -	\$ 33,730	\$ 33,730	\$ -
Bonus Commodities	10.550	177	3,718	-	177	177	-
	<b>TOTAL</b>	<b>33,907</b>	<b>45,455</b>	<b>-</b>	<b>33,907</b>	<b>33,907</b>	<b>-</b>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>325,234</b>	<b>315,516</b>	<b>40,584</b>	<b>325,234</b>	<b>365,818</b>	<b>-</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 2,457,878</b>	<b>\$ 1,175,666</b>	<b>\$ 236,713</b>	<b>\$ 1,102,987</b>	<b>\$ 1,163,094</b>	<b>\$ 176,606</b>

MARQUETTE AREA PUBLIC SCHOOLS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2007

**NOTE A – OVERSIGHT AGENCY:**

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the School District's federal awards.

**NOTE B – BASIS OF ACCOUNTING:**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C – STATE GRANTS:**

The following state grants were reported on Form R7120, Grants Section Auditors Report for the year ending June 30, 2007 and are not included on the Schedule of Federal Awards.

Description	Project Number	State
School Breakfast	066320M-24	<u>\$8,406</u>

**NOTE D – FINAL COST REPORT - FORM DS4044:**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audit figures combined.

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION:**

The amounts reported as current payments on the R7120, Grant Section Auditors Report, reconcile with the Schedule of Expenditures of Federal Awards as follows:

Current payments per R7120		\$909,157
Add - payments not on R7120:		
Direct programs	\$46,853	
Passed through other Districts/Others	173,108	
Bonus and entitlement commodities	<u>33,907</u>	<u>253,868</u>
Less – deferred revenue at the beginning of year – MDE	(144,779)	
Add – deferred revenue at the end of year – MDE	<u>93,148</u>	<u>(51,631)</u>
Less – State Grants reported on R7120:		
School Breakfast		(8,406)
Less – rounding		<u>(1)</u>
PER THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS		<u>\$1,102,987</u>

**NOTE E – SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS RECONCILIATION (Continued):**

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue is as follows:

Total Federal Revenue Sources Reported in the Financial Statements	\$1,102,654
Less:	
Rounding	(1)
Other – Non Federal Program	334
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE	
SCHEDULE OF FEDERAL AWARDS	<u>\$1,102,987</u>

MARQUETTE AREA PUBLIC SCHOOLS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the year June 30, 2007

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Marquette Area Public Schools.
2. There were no reportable conditions disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of Marquette Area Public Schools disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs is reported in this schedule.
5. The auditors' report on compliance for the major federal award programs for Marquette Area Public Schools expresses an unqualified opinion.
6. No audit findings relative to the major federal award program for Marquette Area Public Schools were disclosed during the audit.
7. The programs tested as major programs were:

ECIA Title I	CFDA# 84.010
--------------	--------------
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Marquette Area Public Schools was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAMS AUDIT

NONE

MARQUETTE AREA PUBLIC SCHOOLS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the year June 30, 2007

There were no findings and questioned costs for  
Major federal awards in the prior year.